

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-10 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 AID-05 EB-08 TRSE-00 STR-05
OMB-01 CEA-01 COME-00 DOE-12 SOE-01 FRB-03 XMB-02
OPIC-03 LAB-04 SIL-01 /125 W
-----112541 210707Z /11

R 210500Z DEC 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 518
INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L JIDDA 8702

PARIS FOR OECD

E.O. 11652: GDS
TAGS: EFIN,ENRG, SA, US
SUBJ: SAUDI REVALUATION AND CONCERN OVER DOLLAR

1. SAUDIS READJUSTED RIYAL-DOLLAR EXCHANGE RATE TO SR 3.50
EQUALS ONE DOLLAR ON DECEMBER 17. THIS IS SECOND RIYAL REVALUATION
IN DECEMBER, AND WE UNDERSTAND MORE MAY BE IN OFFING, AS DOLLAR
CONTINUES TO SLIDE.

2. RIYAL REVALUATION HAS BEEN MINOR IN PERCENTAGE TERMS,
HAVING INCREASED BY LESS THAN ONE PERCENT AGAINST DOLLAR SINCE
FIRST ADJUSTMENT IN AUGUST. NOR HAS IT BEEN REQUIRED BY RIYALS
PEG TO SDR, AS SAUDIS ALLOW FOR GENEROUS SEVER PERCENT SWING
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FACTOR. SAUDIS MOREOVER HAVE NO INTEREST IN PRECIPITATING
DECLINE OF DOLLAR BY LARGE OR DRAMATIC REVALUATIONS.

3. SAG, HOWEVER, REMAINS SERIOUSLY CONCERNED OVER CONTINUED
DEPRECIATION OF DOLLAR, IN WHICH BOTH THEIR CURRENT INCOME
AND OVER THREE QUARTERS OF THEIR ASSETS ARE DENOMINATED.
FURTHERMORE, THEY ARE TRAPPED TO A DEGREE; ANY SUBSTANTIAL

HEDGING OR MOVING OUT OF DOLLAR ASSETS ON THEIR PART WOULD ONLY WORSEN THE SITUATION. BUT THE CONTINUED DECLINE OF THE DOLLAR IS STRENGTHENING THE ARGUMENTS OF THOSE HERE WHO WOULD PREFER LOWER RATES OF OIL PRODUCTION AND HIGHER OIL PRICES. THE RECENT REGALUATIONS RE PROBABLY INTENDED AS A SIGNAL OF THE SAG'S DEEP UNHAPPINESS WITH USG'S APPARENT COM PLACENCY IN THE FACE OF THE DOLLAR'S CONTINUED DROP.
WEST

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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Sent Date: 21-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation History:
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